

BEFORE THE DIVISION OF INSURANCE

STATE OF COLORADO

FINAL AGENCY ORDER O-08-013

IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF CELTIC INSURANCE COMPANY,

Respondent

THIS MATTER comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of Celtic Insurance Company (the "Respondent"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated April 24, 2007 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

FINDINGS OF FACT

1. At all relevant times, the Respondent was licensed by the Division as a health and accident insurance company.
2. In accordance with §§ 10-1-201 to 207, C.R.S., on April 24, 2007, the Division completed a market conduct examination of the Respondent. The period of examination was January 1, 2005 to December 31, 2005.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado Insurance Examiners Handbook. The Commissioner also employed other guidelines and procedures that she deemed appropriate, pursuant to § 10-1-204(1), C.R.S.

5. The market conduct examiners prepared a Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondent, its agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.
6. Respondent delivered to the Division written submissions and rebuttals to the Report.
7. The Commissioner has fully considered and reviewed the Report, all of Respondent's submissions and rebuttals, and all relevant portions of the examiner's work papers.

CONCLUSIONS OF LAW AND ORDER

8. Unless expressly modified in this Final Agency Order ("Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the final Report. A copy of the Report is attached to the Order and is incorporated by reference.
9. Issue A1 concerns the following violation: Certifying and using forms that do not comply with Colorado insurance law. The Respondent shall provide evidence that it has implemented procedures to ensure that all policy forms issued or delivered to Colorado insureds comply with statutory mandates as certified by an officer of Respondent in compliance with Colorado insurance law.
10. Issue A2 concerns the following violation: Failure to provide a complete response to a request for claims records. The Respondent shall provide evidence that it has implemented procedures to ensure that complete records required for market conduct purposes are maintained and provided for examination purposes in compliance with Colorado insurance law.
11. Issue E1 concerns the following violation: Failure to utilize a fraud statement that is substantially the same as required by Colorado insurance law. The Respondent shall provide evidence that it has implemented procedures to ensure that the fraud statement included on its application forms is the same as required by Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
12. Issue E2 concerns the following violation: Failure to disclose the existence and availability of an access plan in health benefit plans. The Respondent shall provide evidence that it has implemented procedures to ensure that all health benefit plans clearly disclose the existence and availability of an

access plan in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

13. Issue E3 concerns the following violation: Failure to reflect the mandatory coverage to be provided for prosthetic devices. The Respondent shall provide evidence that it has revised all applicable forms to reflect the mandatory coverage for prosthetic devices to ensure compliance with Colorado insurance law.
14. Issue E4 concerns the following violation: Failure to include notification of the availability and a description of the independent external review procedures in or attached to policies. The Respondent shall provide evidence that it has implemented procedures to ensure that notice and complete disclosure of the right to an external review is included in or attached to all health coverage plans in compliance with Colorado insurance law.
15. Issue E5 concerns the following violation: Failure to allow benefits for covered services based on a licensed provider's status, (e.g., a family member or normally a member of the insured's or the insured dependent's household). The Respondent shall provide evidence that it has implemented procedures to ensure that reimbursement for covered services provided by a licensed provider who normally charges for services is not denied based solely upon the provider's status in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
16. Issue E6 concerns the following violation: Failure to provide credit for previous coverage for certain named conditions. The Respondent shall provide evidence that it has implemented procedures to ensure that certain named conditions are not temporarily excluded, and that credit for prior coverage is provided toward any pre-existing condition limitations in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
17. Issue E7 concerns the following violation: Failure to reflect the mandatory coverage to be provided for low-dose mammography. The Respondent shall provide evidence that it has corrected all applicable forms to provide the minimum benefit for low-dose mammography to ensure compliance with Colorado insurance law.
18. Issue E8 concerns the following violation: Failure to reflect an accurate description of the mandated therapies for congenital defects and birth abnormalities for children. The Respondent shall provide evidence that it

has implemented procedures to ensure that an accurate description of the mandated therapies for children with congenital defects and birth abnormalities is reflected in all its policies in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

19. Issue E9 concerns the following violation: Failure to reflect all required information in application forms concerning replacement of coverage. The Respondent shall provide evidence that it has implemented procedures to ensure that all required information concerning replacement of coverage is reflected in its insurance application forms in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
20. Issue E10 concerns the following violation: Failure to reflect accurate requirements to qualify as a dependent. The Respondent shall provide evidence that it has implemented procedures to ensure that all its policies reflect accurate requirements to qualify as a dependent in compliance with Colorado insurance law.
21. Issue E11 concerns the following violation: Failure to reflect the mandatory coverage for child health supervision services. The Respondent shall provide evidence that it has implemented procedures to ensure that coverage for child health supervision services is accurately reflected in its policies and riders in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
22. Issue E12 concerns the following violation: Failure to maintain a Colorado health plan description form required to be provided to Business Groups of One applying for coverage. The Respondent shall provide evidence that it has implemented procedures to ensure that a Colorado health plan description form is maintained and provided to Business Groups of One applying for coverage in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
23. Issue E13 concerns the following violation: Failure to accurately reflect the coverage to be offered for home health services and hospice care. The Respondent shall provide evidence that it has implemented procedures to ensure that the required coverage offered for home health services and hospice care is accurately reflected in all its policies in compliance with Colorado insurance law.
24. Issue E14 concerns the following violation: Failure to reflect the mandated coverage to be provided for the treatment of cleft lip and cleft palate. The

Respondent shall provide evidence that it has revised all applicable forms to accurately reflect the mandated coverage provided for the care and treatment of children born with cleft lip, cleft palate or both to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.

25. Issue E15 concerns the following violation: Failure to reflect correct or complete information on certificates of creditable coverage. The Respondent shall provide evidence that it has revised its certificates of creditable coverage to reflect correct and complete information to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
26. Issue E16 concerns the following violation: Failure to use one of the three required Basic Health Benefit Plan design options as conversion coverage. The Respondent shall provide evidence that it has implemented procedures to ensure that its conversion plan includes one or more of the three Basic Health Benefit Plan design options in compliance with Colorado insurance law.
27. Issue E17 concerns the following violation: Failure to include accurate benefits and coverage wording in the Standard PPO Health Benefit policy. The Respondent shall provide evidence that it has implemented procedures to ensure that its Standard PPO Health Benefit plans reflect complete and accurate benefits and coverage wording in compliance with Colorado insurance law.
28. Issue E18 concerns the following violation: Failure to include accurate benefits and coverage wording in the Standard Indemnity Health Benefit policy. The Respondent shall provide evidence that it has implemented procedures to ensure that its Standard Indemnity Health Benefit plans reflect complete and accurate benefits and coverage wording in compliance with Colorado insurance law.
29. Issue E19 concerns the following violation: Failure to reflect accurately the required and optional provisions in individual sickness and accident policies. The Respondent shall provide evidence that it has implemented procedures to ensure that its Standard Indemnity Health Benefit plans reflect all required and optional provisions in compliance with Colorado insurance law.
30. Issue E20 concerns the following violation: Failure to reflect correct eligibility requirements for conversion coverage. The Respondent shall provide evidence that it has implemented procedures to ensure that its

applications and policies reflect correct eligibility requirements for conversion coverage in compliance with Colorado insurance law.

31. Issue E21 concerns the following violation: Failure to reflect correct deductible amounts, coinsurance percentages and plan type titles on the conversion coverage application. The Respondent shall provide evidence that it has implemented procedures to ensure that its conversion coverage applications reflect correct deductible amounts, coinsurance percentages and plan type titles in compliance with Colorado insurance law.
32. Issue E22 concerns the following violation: Failure to reflect only allowable exclusions for coverage of complications of pregnancy. The Respondent shall provide evidence that it has implemented procedures to ensure that its policies reflect only allowable exclusions relating to complications of pregnancy in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
33. Issue E23 concerns the following violation: Failure to include a provision for continuity of care in applicable instances involving termination of coverage. The Respondent shall provide evidence that it has implemented procedures to ensure that its policies reflect a provision for continuity of care in required instances involving termination of coverage in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
34. Issue E24 concerns the following violation: Failure to reflect the correct number of days allowed for a break in coverage for the purpose of giving credit for previous creditable coverage. The Respondent shall provide evidence that it has implemented procedures to ensure that its applications reflect the correct number of days allowed for a break in coverage for purposes of giving credit for previous creditable coverage in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
35. Issue G1 concerns the following violation: Failure, in some cases, to issue health insurance policies with exclusionary riders that comply with Colorado insurance law. The Respondent shall provide evidence that it has established the necessary procedures to ensure that issuance of any exclusionary riders are in compliance with Colorado insurance law.
36. Issue G2 concerns the following violation: Failure, in some cases, to provide CoverColorado notice forms in instances involving a reduction or exclusion of coverage for a pre-existing medical or health condition for a period exceeding six months. The Respondent shall provide evidence that

it has established the necessary procedures to ensure that CoverColorado notice forms are sent in all applicable situations in compliance with Colorado insurance law.

37. Issue G3 concerns the following violation: Failure, in some cases, to provide a replacement notice when replacing another policy of accident and sickness insurance. The Respondent shall provide evidence that it has established the necessary procedures to ensure that replacement notices are sent in all applicable situations in compliance with Colorado insurance law.
38. Issue G4 concerns the following violation: Failure to use required determination and disclosure forms to allow exemption from provisions required of small group plans when offering and issuing individual plans to Business Groups of One. The Respondent shall provide evidence that it has established the necessary procedures to ensure that determination and disclosure forms for self-employed Business Groups of One applying for individual health benefit plans are provided in compliance with Colorado insurance law.
39. Issue G5 concerns the following violation: Failure to comply with Colorado insurance law by issuing conversion policies for other carriers. The Respondent shall provide evidence that it has discontinued the practice of issuing conversion policies for other carriers to ensure compliance with Colorado insurance law.
40. Issue H1 concerns the following violation: Failure to provide CoverColorado notice forms in all required instances. The Respondent shall provide evidence that it has established necessary procedures to ensure that CoverColorado notice forms are sent in all applicable instances in compliance with Colorado insurance law. Additionally, Respondent shall perform a self audit to ensure that CoverColorado notice forms are sent in all applicable instances for the time period beginning January 1, 2005 to August 24, 2007. Respondent shall submit a summary of the findings to the Division on or before November 23, 2007.
41. Issue H2 concerns the following violation: Failure, in some cases, to reflect correct information in certificates of creditable coverage. The Respondent shall provide evidence that it has established the necessary procedures to ensure that only correct information is reflected on certificates of creditable coverage in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
42. Issue J1 concerns the following violation: Failure, in some cases, to pay, deny or settle claims within the required time periods. The Respondent

shall provide evidence that it has established the necessary procedures to ensure that all claims are paid, denied or settled within the required time periods in compliance with Colorado insurance law. Additionally, Respondent shall perform a self audit to ensure it has paid, denied, or settled claims for the time period beginning January 1, 2005 to August 24, 2007. Respondent shall submit a summary of the findings to the Division on or before November 23, 2007.

43. Issue J2 concerns the following violation: Failure to pay late payment interest and penalties in applicable cases. The Respondent shall provide evidence that it has established the necessary procedures to ensure that late payment interest and penalties are paid in all applicable instances in compliance with Colorado insurance law. Additionally, Respondent shall perform a self audit to ensure it has paid late payment interest and penalties in all applicable cases for the time period beginning January 1, 2005 to August 24, 2007. Respondent shall submit a summary of the findings to the Division on or before November 23, 2007.
44. Issue J3 concerns the following violation: Failure, in some cases, to accurately process claims. The Respondent shall provide evidence that it has established the necessary procedures to ensure that all claims are processed correctly in compliance with Colorado insurance law.
45. Issue K1 concerns the following violation: Failure to reflect complete standards or definitions in utilization review policy and procedure documents. The Respondent shall provide evidence that it has established the necessary procedures to ensure that complete information for standards and definitions are reflected in utilization review policy and procedure documents in compliance with Colorado insurance law.
46. Issue K2 concerns the following violation: Failure to have written notification of denial of benefits signed by a licensed physician. The Respondent shall provide evidence that it has established the necessary procedures to ensure that all written notification of denial of benefits are signed by a licensed physician in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
47. Pursuant to § 10-1-205(3)(d), C.R.S, the Respondent shall pay a civil penalty to the Division in the amount of two hundred eighty-eight thousand seven hundred fifty and no/100 dollars (\$288,750.00) for the cited violations of Colorado insurance law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division Bulletin No. B-1.3, originally issued on January 1, 1998, re-issued May 8, 2007.

48. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondent shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.
49. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondent shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondent has already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All self audits, if any, shall be performed in accordance with Division's document, 'Guidelines for Self Audits Performed by Companies' presented at the market conduct examination exit meeting. Unless otherwise specified in this Order, all self audit reports must be received within ninety (90) days of the Order, including a summary of the findings and all monetary payments to covered persons.
50. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondent to comply with the terms of this Order may result in additional actions, penalties and sanctions, as provided for by law.
51. Copies of the examination report, the Respondent's response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

WHEREFORE: It is hereby ordered that the findings and conclusions contained in the final examination report dated April 24, 2007 are hereby adopted and filed and made an official record of this office, and the above Order is hereby approved this 24th day of August, 2007.



Marcy Morrison
Commissioner of Insurance

CERTIFICATE OF MAILING

I hereby certify that on the 24th day of August, 2007, I caused to be deposited the **FINAL AGENCY ORDER NO. O-08-013 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF CELTIC INSURANCE COMPANY**, in the United States mail via certified mailing with proper postage affixed and addressed to:

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